

Senate File 6 - Introduced

SENATE FILE _____
BY KETTERING

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to the child and dependent care and early
2 childhood development tax credits and including a retroactive
3 applicability date provision.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
5 TLSB 1175XS 82
6 mg/je/5

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1 1 Section 1. Section 422.12C, subsection 1, Code 2007, is
1 2 amended to read as follows:
1 3 1. The taxes imposed under this division, less the amounts
1 4 of nonrefundable credits allowed under this division, shall be
1 5 reduced by a child and dependent care credit equal to the
1 6 following percentages of the federal child and dependent care
1 7 credit provided in section 21 of the Internal Revenue Code:
1 8 a. For a taxpayer with net income of less than ~~ten~~ twenty
1 9 thousand dollars, seventy-five percent.
1 10 b. For a taxpayer with net income of ~~ten~~ twenty thousand
1 11 dollars or more but less than ~~twenty~~ forty thousand dollars,
1 12 sixty-five percent.
1 13 c. For a taxpayer with net income of ~~twenty~~ forty thousand
1 14 dollars or more but less than ~~twenty-five~~ fifty thousand
1 15 dollars, fifty-five percent.
1 16 d. For a taxpayer with net income of ~~twenty-five~~ fifty
1 17 thousand dollars or more but less than ~~thirty-five~~ seventy
1 18 thousand dollars, fifty percent.
1 19 e. For a taxpayer with net income of ~~thirty-five~~ seventy
1 20 thousand dollars or more but less than ~~forty~~ eighty thousand
1 21 dollars, forty percent.
1 22 f. For a taxpayer with net income of ~~forty~~ eighty thousand
1 23 dollars or more but less than ~~forty-five~~ ninety thousand
1 24 dollars, thirty percent.
1 25 g. For a taxpayer with net income of ~~forty-five~~ ninety
1 26 thousand dollars or more, zero percent.
1 27 Sec. 2. Section 422.12C, subsection 2, unnumbered
1 28 paragraph 1, Code 2007, is amended to read as follows:
1 29 The taxes imposed under this division, less the amounts of
1 30 nonrefundable credits allowed under this division, may be
1 31 reduced by an early childhood development tax credit equal to
1 32 twenty-five percent of the first one thousand dollars which
1 33 the taxpayer has paid to others for each dependent, as defined
1 34 in the Internal Revenue Code, ages three through five for
1 35 early childhood development expenses. In determining the
2 1 amount of early childhood development expenses for the tax
2 2 year beginning in the 2006 calendar year only, such expenses
2 3 paid during November and December of the previous tax year
2 4 shall be considered paid in the tax year for which the tax
2 5 credit is claimed. This credit is available to a taxpayer
2 6 whose net income is less than ~~forty-five~~ ninety thousand
2 7 dollars. If the early childhood development tax credit is
2 8 claimed for a tax year, the taxpayer and the taxpayer's spouse
2 9 shall not claim the child and dependent care credit under
2 10 subsection 1. As used in this subsection, "early childhood
2 11 development expenses" means services provided to the dependent
2 12 by a preschool, as defined in section 237A.1, materials, and
2 13 other activities as follows:
2 14 Sec. 3. RETROACTIVE APPLICABILITY DATE. This Act applies
2 15 retroactively to January 1, 2007, for tax years beginning on
2 16 or after that date.
2 17 EXPLANATION
2 18 This bill increases the child and dependent care credit
2 19 under the individual income tax by doubling the income limit

2 20 in each credit bracket. Thus, a taxpayer with less than
2 21 \$90,000 in net income is eligible for the credit, while under
2 22 present law, a taxpayer with less than \$45,000 in net income
2 23 is eligible. The maximum credit bracket under the bill is
2 24 expanded to include taxpayers with net incomes of less than
2 25 \$20,000, while under present law, taxpayers may only have net
2 26 incomes of less than \$10,000 to receive the maximum credit.
2 27 The bill also doubles the amount of net income that a
2 28 taxpayer may have, from \$45,000 to \$90,000, and still qualify
2 29 for the early childhood development tax credit.
2 30 The bill applies retroactively to January 1, 2007, for tax
2 31 years beginning on or after that date.
2 32 LSB 1175XS 82
2 33 mg:sc/je/5